

Message Text

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PAGE 01 STATE 172311
ORIGIN EB-08

INFO OCT-01 NEA-10 ISO-00 SS-15 SP-02 IO-13 INR-10
SSO-00 INRE-00 /059 R

DRAFTED BY EB/OT/TEX:JJST. JOHN:LPP
APPROVED BY EB/OT:SEAHMAD
NEA/INS:PLANDE(INFO)
-----056839 072354Z /61

O 072322Z JUL 78
FM SECSTATE WASHDC
TO USMISSION GENEVA IMMEDIATE

C O N F I D E N T I A L STATE 172311

STADIS//////////
PLEASE DELIVER TO DAS BARRACLOUGH AS EARLY AS POSSIBLE

E.O. 11652: GDS

TAGS: ETRD, IN

SUBJECT: INDIAN TEXTILES PROBLEM

SATURDAY MORNING, JULY 8; FROM ST.JOHN AND AHMAD

1. WRITING IN BEHALF OF INDIAN MINISTER OF COMMERCE,
INDIAN AMBASSADOR TODAY SENT LETTERS TO STR STRAUSS AND
SECRETARY KREPS REJECTING U.S. PROPOSAL TO RESOLVE EMBARGO
PROBLEM BY, IN EFFECT, MELDING THE MILL MADE AND HANDLOOM
APPAREL GROUPS. LETTER SAYS THAT U.S. PROPOSAL WOULD-ALTER
THE LONG TERM CHARACTER OF THE AGREEMENT, AND WOULD DO
AWAY WITH THE SPECIAL TREATMENT FOR HANDLOOMED APPAREL.
THE LETTER URGES THAT THERE BE AN AD HOC SOLUTION TO WHAT
IT CHARACTERIZES AS AN ESSENTIALLY TECHNICAL PROBLEM,
SUGGESTS THAT THE U.S. AND INDIA HOLD CONSULTATIONS,
PENDING WHICH PRODUCTS ARRIVING IN THE U.S. BEFORE
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AUGUST 31 BE ALLOWED ENTRY. (ABOVE GIST IS ON BASIS OF
TELEPHONE CONVERSATION WITH NARAYAN OF INDIAN EMBASSY;
WE HAVE NOT AT THIS STAGE SEEN COPIES OF THE LETTERS.)

2. MIKE SMITH AND BOB SHEPHERD WILL BE RETURNING TO
WASHINGTON TO TESTIFY AT HOLLAND BILL HEARINGS MONDAY
MORNING. SINCE SMITH WILL BE RETURNING TO GENEVA AND

DEPARTING FROM THERE ON THREE WEEK ASIA TRIP, MONDAY AFTERNOON WILL BE ONLY OPPORTUNITY FOR TOP-LEVEL INTER-AGENCY TEXTILE OFFICIALS TO GET TOGETHER ON THIS PROBLEM.

3. IN STATE'S VIEW WE MADE GOOD TRY AT USING LEVERAGE OF THIS EMBARGO TO GAIN DESIRABLE CHANGES IN INDIAN AGREEMENT BUT, PERHAPS BECAUSE WE WENT TOO FAR, WE DID NOT SUCCEED. BOTH ON BASIS OF THE MERITS OF THE CASE AND IN VIEW OF PRESIDENT CARTER'S COMMITMENT TO DESAI WITH REGARD TO SPECIAL TREATMENT FOR HANDLOOMED ARTICLES, WE CANNOT AND SHOULD NOT SUSTAIN THIS EMBARGO. OUR COMMITMENTS OVER THE NEXT TWO MONTHS, THE COMPLEXITY OF THE AGREEMENT AND ANY NEGOTIATION AIMED AT CHANGING IT, AND THE URGENCY OF THE EMBARGO FOR U.S. IMPORTERS ALL ARGUE AGAINST OUR CONTINUING ON A NEGOTIATING TACK. THE BEST APPROACH BY FAR WOULD BE FOR US TO SEEK "A QUICK FIX" SOLUTION ON MONDAY. REQUEST YOU URGE SMITH AND SHEPHERD TO ALLOW TIME FOR FULL DISCUSSION THIS MATTER ON MONDAY. VANCE

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Message Attributes

Automatic Decaptioning: Z
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: TEXTILES, TRADE AGREEMENTS
Control Number: n/a
Copy: SINGLE
Draft Date: 07 jul 1978
Decaption Date: 20 Mar 2014
Decaption Note: 25 YEAR REVIEW
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978STATE172311
Document Source: CORE
Document Unique ID: 00
Drafter: JJST. JOHN:LPP
Enclosure: n/a
Executive Order: GS
Errors: N/A
Expiration:
Film Number: D780280-0039
Format: TEL
From: STATE
Handling Restrictions:
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780784/aaaacsph.tel
Line Count: 81
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: a2466479-c288-dd11-92da-001cc4696bcc
Office: ORIGIN EB
Original Classification: CONFIDENTIAL
Original Handling Restrictions: STADIS
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: STADIS
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 02 aug 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2081965
Secure: OPEN
Status: NATIVE
Subject: INDIAN TEXTILES PROBLEM SATURDAY MORNING, JULY 8; FROM ST.JOHN AND AHMAD
TAGS: ETRD, IN
To: GENEVA
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/a2466479-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014